

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-06 CEA-01 PA-02 PRS-01 /109 W
-----040789 181038Z /13

P R 180900Z JAN 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 4432
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS TOKYO 0837

USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS -- JAN 12-18

1. SUMMARY: BANK OF JAPAN (BOJ) GOVERNOR MORINAGA QUASHES
RUMORS OF AN IMMINENT DISCOUNT RATE CUT. DIET GETS SECOND
SUPPLEMENTAL BUDGET FOR FY 1977. BANKRUPTCIES LEVEL OFF AT
YEAR-END NEW MACHINERY ORDERS DOWN IN NOV. DEC WHOLESALE PRICES
SHOW 0.4 PERCENT DROP. UNEMPLOYMENT UP A LITTLE IN NOV AND
SAVINGS RATES DIP SLIGHTLY IN OCT. END SUMMARY.

2. AT HIS FIRST PRESS CONFERENCE FOR 1978, BANK OF JAPAN GOVERNOR
MORINAGA DAMPENED HOPES OF THE BUSINESS COMMUNITY FOR AN
EARLY CUT IN THE OFFICIAL DISCOUNT RATE. MORINAGA SAID EVEN
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THOUGH BOJ IS WILLING TO DO AS MUCH AS POSSIBLE TO HELP
STIMULATE DOMESTIC DEMAND, THE TIMING OF A CUT IN THE OFFICIAL
DISCOUNT RATE SHOULD BE DETERMINED CAREFULLY SO THAT IT WILL
HAVE THE MOST DESIRABLE STIMULATIVE EFFECT. MORINAGA ADDED
THAT NOW IS NOT THE PROPER TIME FOR CUTTING THE OFFICIAL
DISCOUNT RATE. OBSERVERS HERE INTERPRET MORINAGA'S
STATEMENT AS REDUCING THE PROSPECT OF AN OFFICIAL DISCOUNT

RATE CUT IN JANUARY.

3. SECOND SUPPLEMENTARY BUDGET FOR CURRENT FISCAL YEAR 1977 WAS SUBMITTED TO THE DIET ON JAN 17 AFTER APPROVAL OF CABINET MINISTERS ON SAME DAY. LATE LAST DEC CABINET MINISTERS AUTHORIZED FURTHER INCREASES IN GENERAL ACCOUNT BUDGET EXPENDITURES OF \$2.3 BIL AND FISCAL LOAN AND INVESTMENT PROGRAM OUTLAYS OF \$1.2 BIL FOR JFY 1977 (TOKYO 19718 AND 19877). THE DIET IS SCHEDULED TO RESUME ITS SESSION ON JAN 21.

4. BANKRUPTCIES REACHED NEW HIGHS IN 1977 BOTH IN TERMS OF THE NUMBER OF CASES AND THE VALUE OF LIABILITIES INVOLVED, ALTHOUGH TOWARD THE END OF THE YEAR BANKRUPTCY RATE LEVELLED OFF. THE TWO PRIVATE RESEARCH ORGANIZATIONS WHICH COLLECT STATISTICS PLACED BANKRUPTCY CASES IN DEC AT 1,661-1,662 IN DEC (N.S.A.), VIRTUALLY UNCHANGED FROM THE YEAR-EARLIER LEVEL. THE LIABILITIES OF BUSINESS FIRMS DECLARING BANKRUPTCIES CAME TO \$1,170 MIL EQUIVALENT, UP ABOUT 30 PERCENT OVER DEC 1976 (ON YEN BASIS). THE NUMBER OF COMPANIES ATTRIBUTING THEIR BANKRUPTCIES TO THE SHARP YEN APPRECIATION CAME TO 28 IN DEC AS COMPARED WITH 23 IN NOV. FOR 1977 AS A WHOLE THE NUMBER OF BANKRUPTCY CASES TOTALED 18,471, UP 18.1 PERCENT OVER PRIOR YEAR'S LEVEL WHILE THE VALUE OF LIABILITIES INVOLVED TOTALED \$12.4 BIL, UP 31.3 PERCENT. DURING EARLY PART OF 1977 BANKRUPTCY RATE CLIMBED SHARPLY BUT TOWARD YEAR END SHOWED SIGNS OF SLOWING DOWN.
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5. NEW MACHINERY ORDERS, S.A., FELL SHARPLY IN NOV, PRIMARILY DUE TO SHARPLY REDUCED ORDERS PLACED BY PUBLIC SECTOR AFTER RAPID ACCELERATION IN EARLY PART OF THE YEAR. NEW MACHINERY ORDER PLACED BY GOVT AND PUBLIC AGENCIES, S.A., IN NOV WAS DOWN 45.5 PERCENT FROM OCT, AND FOLLOWED DECLINES IN PRECEDING TWO MONTHS. NEW MACHINERY ORDERS PLACED BY PRIVATE SECTOR (EXCLUDING SHIPS, S.A.) DECLINED 3.9 PERCENT IN NOV, AFTER LARGE 24.4 PERCENT REBOUND IN OCT. PRIVATE DEMAND FOR NEW MACHINERY REMAINED WEAK IN MANUFACTURING SECTOR BUT THAT OF NON-MANUFACTURING SECTOR PICKED UP SOMEWHAT DURING OCT-NOV PERIOD. THIS IS PRIMARILY DUE TO ORDERS PLACED BY ELECTRIC POWER AND CONSTRUCTION INDUSTRIES.

NEW MACHINERY ORDERS, S.A.

(IN BIL YEN; PERCENT CHANGE FROM PRIOR MONTH IN PAREN)

PRIVATE ORDERS GOVT AND PUBLIC

EXCL. SHIPS(JEI 337) ORDER (JEI 335)

SEP	194.1 (-25.5)	117.4 (-20.4)
OCT	241.4 (24.4)	115.9 (-1.2)
NOV	231.9 (-3.6)	63.1 (-45.5)

6. AS REPORTED TOKYO 657, WHOLESALE PRICE INDEX, N.S.A., DECLINED IN DEC FOR THIRD STRAIGHT MONTH, DOWN 0.4 PERCENT FROM NOV, BRINGING DEC 77 WPI BELOW THE YEAR-EARLIER LEVEL, BY 1.5 PERCENT. WHOLESALE PRICES OF MANUFACTURED GOODS WERE DOWN 0.4 PERCENT FROM NOV. FOR 1977 AS WHOLE, AVERAGE WPI INCREASED BY 1.9 PERCENT AS COMPARED WITH 5.0 PERCENT INCREASE IN 1976. RATE OF ADVANCE IN WHOLESALE PRICES OF MANUFACTURED GOODS ALSO SLOWED DOWN IN 1977, TO 1.7 PERCENT FROM 4.4 PERCENT IN 1976.

7. LABOR CONDITIONS DETERIORATED SLIGHTLY IN NOV, EXCEPT FOR INCREASED OVERTIME WORKED. THE NUMBER OF UNEMPLOYED, S.A., ROSE IN NOV. UP 40,000 PERSONS OVER OCT LEVEL, TO 1.11 MIL. NOV UNEMPLOYMENT RATE, HOWEVER, REMAINED UNCHANGED FROM UNCLASSIFIED

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OCT AT 2.0 PERCENT. (NOTE: PRIME MINISTER'S OFFICE, USING DIFFERENT SEASONAL FACTORS THAN EPA ALSO REPORTS THAT NOV UNEMPLOYMENT RATE WAS 2.0 PERCENT.) JOB OFFERS/APPLICANTS RATIO DETERIORATED FURTHER IN NOV TO 0.51 FROM 0.53 IN OCT. FIGURES ON OVERTIME WORKED, HOWEVER, SHOWED RAPID INCREASE IN NOV, RECORDING SECOND CONSECUTIVE MONTH OF INCREASE. OTHER DATA ON LABOR CONDITIONS IN NOV NOT YET AVAILABLE.

LABOR CONDITIONS, SA.

JEI NO.	SERIES (UNIT)	SEP	OCT	NOV
385	JOB OFFERS/APPLICANT RATIO	0.53	0.53R	0.51
401	MFG. OVERTIME (1975 EQUALS 100)	135.1	135.3	137.3
378	UNEMPLOYED (THOUSANDS)	1,130	1,070R	1,110
379	UNEMPLOYMENT RATE (PERCENT)	2.1	2.0R	2.0

(NOTE: ALL SERIES ARE SEASONALLY ADJUSTED BY EPA.)

8. THE AVERAGE PROPENSITY TO SAVE OF WORKERS HOUSEHOLDS, S.A., DECLINED SLIGHTLY IN OCT, AFTER INCREASES IN PRECEDING TWO MONTHS. OCT AVERAGE PROPENSITY TO SAVE WAS 23.1 PERCENT OF DISPOSABLE INCOME, DOWN FROM 23.8 PERCENT IN SEPT.

AVERAGE PROPENSITY TO SAVE (PERCENT OF DISPOSABLE INCOME, S.A.) -- JEI 363

AUG	21.4
SEP	23.8
OCT	23.1

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: UNEMPLOYMENT, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO00837
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780026-0621
Format: TEL
From: TOKYO EEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780148/aaaaboce.tel
Line Count: 164
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f3f33be2-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3751279
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS -- JAN 12-18
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/f3f33be2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014